

**Board Report**

File #: 2022-0752, **File Type:** Project**Agenda Number:** 21.

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**FINANCE, AUDIT AND BUDGET COMMITTEE
NOVEMBER 16, 2022****SUBJECT: METRO CENTER PROJECT****ACTION: APPROVE RECOMMENDATIONS****RECOMMENDATION**

CONSIDER:

- A. AUTHORIZING the Chief Executive Officer to replace lapsed Proposition 1B California Transit Security Grant Program funds up to a maximum of \$32.2 million with Proposition C 5% Security funds for the Metro Center Project; and
- B. REPORTING back with the findings of the special review by Management Audit Services (MAS).

ISSUE

The Metro Center Project (MCP) received Prop 1B California Transit Security Grant Program (CTSGP) funds incrementally over the period 2011 to 2017. California State Office of Emergency Services (CalOES) granted all available extensions for the grant funds and the CTGSP funds expired on June 30, 2022. Metro had expended approximately \$86.3 million of the funds before the expiration date, leaving a balance of \$29.2 million of unspent grant funds. CalOES is requesting the return of the remaining unspent grant funds, including up to \$3 million in interest. The proposed authorization is for a maximum of \$32.2 million of Prop C 5% Security funds to replace the State grant funds and does not alter or authorize spending beyond the Board approved Life of Project (LOP) amount of \$130.688 million. Additionally, the CEO has directed a special review by MAS, the results of which will be reported back to the Board.

BACKGROUND

CalOES awarded Proposition 1B CTSGP to Metro for a new emergency operations center. Metro received these incremental awarded grants funds paid up front over the period 2011-2017 with interest now accrued.

The Metro Center Project comprises the co-location of the Emergency Operations Center (EOC) and a new Security Operations Center (SOC) to enhance Metro's security, disaster, and counter-terrorism response capabilities. Metro's current Emergency Operations Center is operating at capacity and needs to be expanded to accommodate Metro's new rail lines and upcoming National Special Security Events (NSSE), including the World Cup, College National Championships, and the Olympics. Metro does not currently have a SOC. The new SOC is needed to provide 24/7 security surveillance and situational awareness of Metro's transit system by security professionals with specialized training to improve overall rider safety on Metro's rail and bus lines. The new EOC will enhance coordination and communication with regional partners to prevent, minimize, or respond to and recover from any major incident, serious hazard, or terrorist attack.

In October 2020, the Metro Board awarded a design/build contract to S.J. Amoroso (SJA) Construction Co. LLC in the amount of \$81,487,000. The Board also approved a LOP budget in the amount of \$130,688,310 including Design Build Contractor's cost, public art, design support and construction support services, third party and street vacation costs, Metro staff costs and a 13% contingency.

DISCUSSION

During the period between 2011 and 2018, several issues served to slow the progress on the Project. Primarily, the location of the project took some time to resolve. Metro proposed to locate the facility in the Gateway Building while the Grantor preferred a remote facility. Obtaining environmental approval and resolving and incorporating interface requirements for adjacent projects such as Division 20 and California High Speed Rail, together with identifying the respective detailed needs of SSLE and Operations continued through 2018.

There were subsequent delays during procurement, arising from bidding and rebidding, and associated negotiations. This, in turn, led to a reduction in the design requirements, staying within the approved envelope, all while continuing to meet the minimum requirements of the grant. This process progressed through 2018 and 2019.

Recognizing the numerous schedule challenges, the State agreed to grant deadline extensions between 2011 and 2019 across all annual awards. The first was granted in March 2011 and the last was granted in July 2019. Subsequently, construction has been impacted by unforeseen conditions, design delays by contractor and supply chain issues. All options for grant extension have been exhausted.

Staff recommends the Board authorize replacing a maximum of \$32.2 million due to the loss of the Prop 1B grant to continue to construct the Metro Center Project (MCP), a one-story 26,000 square foot building, for the EOC and SOC to meet the minimum requirements of the state grants. Since the Prop 1B grant award in 2011, Metro completed planning, real estate acquisition and environmental clearance, preliminary design, and partial construction.

The MCP is designed as an essential building targeting a LEED Gold certification with the capability to be in operation continuously for 72 hours in case of water, power, or gas loss due to a natural disaster. As of November 2022, the design is 100% complete, construction is at 50% with the

following activities completed: concrete mat slab foundation, structural steel frame roof decking, underground utilities below the slab foundation, concrete floor and stair decking, fire sprinklers and MEP hangers. The MCP is anticipated to be completed by December 2023. In addition to the importance to the MCP it is essential to replenish the funding timely in order to avoid potential delay.

Corrective Action Steps Underway

Metro Grants Planning will report to the CEO and all Chiefs on a quarterly basis on all major grant funding received by Metro with the potential for expiration within 1-2 years. Appropriate action plans to mitigate potential lapsing will be developed and implemented by Metro Project Managers in coordination with other departments with a status of progress reported to the CEO, Chiefs and Metro Grants Planning.

Program Management will strengthen and enforce the existing reporting process in terms of providing cost and schedule information for projects as it applies to grants.

The CEO has directed Metro Management Audit Services (MAS) to conduct an evaluation of the factors which contributed to Metro needing to replace the CalOES grant funds, including an assessment of corresponding project management practices, internal department communications, project scope and use of funds. MAS has initiated this engagement as a special review and will include the update in the next quarterly audit report.

DETERMINATION OF SAFETY IMPACT

The Project will be designed and constructed consistent with Metro's design and construction safety standards. This Board action will not impact established safety standards for Metro's capital projects.

FINANCIAL IMPACT

A maximum amount of \$32.2 million of Proposition C 5% Security funds are needed to replace lapsed state SB1 Security grant funds. This does not alter or authorize spending beyond the Board approved LOP amount of \$130.688 million. Since this is a multi-year project, the Chief Program Management Officer and the Project Manager will be responsible for budgeting costs in future fiscal years.

Impact to Budget

A maximum amount of \$32.2 million of Proposition C 5% Security funds will be used to fill the gap resulting from the repayment of the State's Prop 1B funds. This fund source is eligible for Metro bus and rail security-related operating expenses.

EQUITY PLATFORM

The Metro Center Project is an essential facility that will support the entire Metro Bus and Rail systems serving communities in 88 cities across Los Angeles County. The return of lapsed grant funds does not provide any specific benefits or cause any adverse impacts or harm to any marginalized communities. Since project inception, Metro has engaged the surrounding communities

and incorporated their input where feasible into the project, e.g., Metro Art programs during construction (art banners in collaboration with community groups) and a permanent Art program for the facility on the building façade. Metro has closely coordinated with the adjacent communities to avoid, reduce and mitigate impacts resulting from construction activities.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Project supports Strategic Goal 2: Deliver outstanding trip experiences for all users of the transportation system. The Project also supports Strategic Goal 5: Provide responsive, accountable, and trustworthy governance within the LA Metro organization. The Project is being designed and constructed in close coordination with the community and third-party stakeholders as well as internal stakeholders within Metro to streamline Metro's systems and processes for efficient operations.

ALTERNATIVES CONSIDERED

The alternative would be not to approve the staff recommended actions to backfill lapsed funds. This is not recommended as it will not allow Metro to complete the Metro Center Project, the original purpose for which the grant was awarded. The existing Design Build contract would be terminated and there is a risk of being requested to return all Proposition 1B California Transportation Security Grant Funds if the Metro Center Project is not complete.

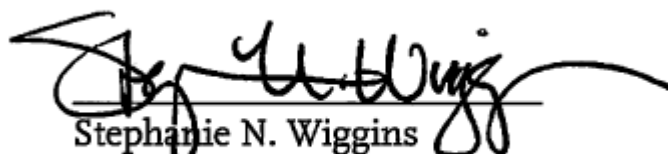
NEXT STEPS

MASD will complete the special review of the Metro Center Project and will include the results within the next quarterly audit report presented to the Board.

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Stephanie N. Wiggins
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Metro Center Project



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Recommendation



The report seeks authority to replace lapsed Proposition 1B California Transit Security Grant Program funds up to a maximum of \$32.2 million with Proposition C 5% Security funds for the Metro Center Project and commits to a report back with the findings of the special review by Management Audit Services (MAS)

Project Funding

- **Original Grant Award 2011**
- **Subsequent Grant Extensions Provided by the State**
- **Funding has Partially Lapsed**
- **Proposed Fund Replenishment to Complete Project**

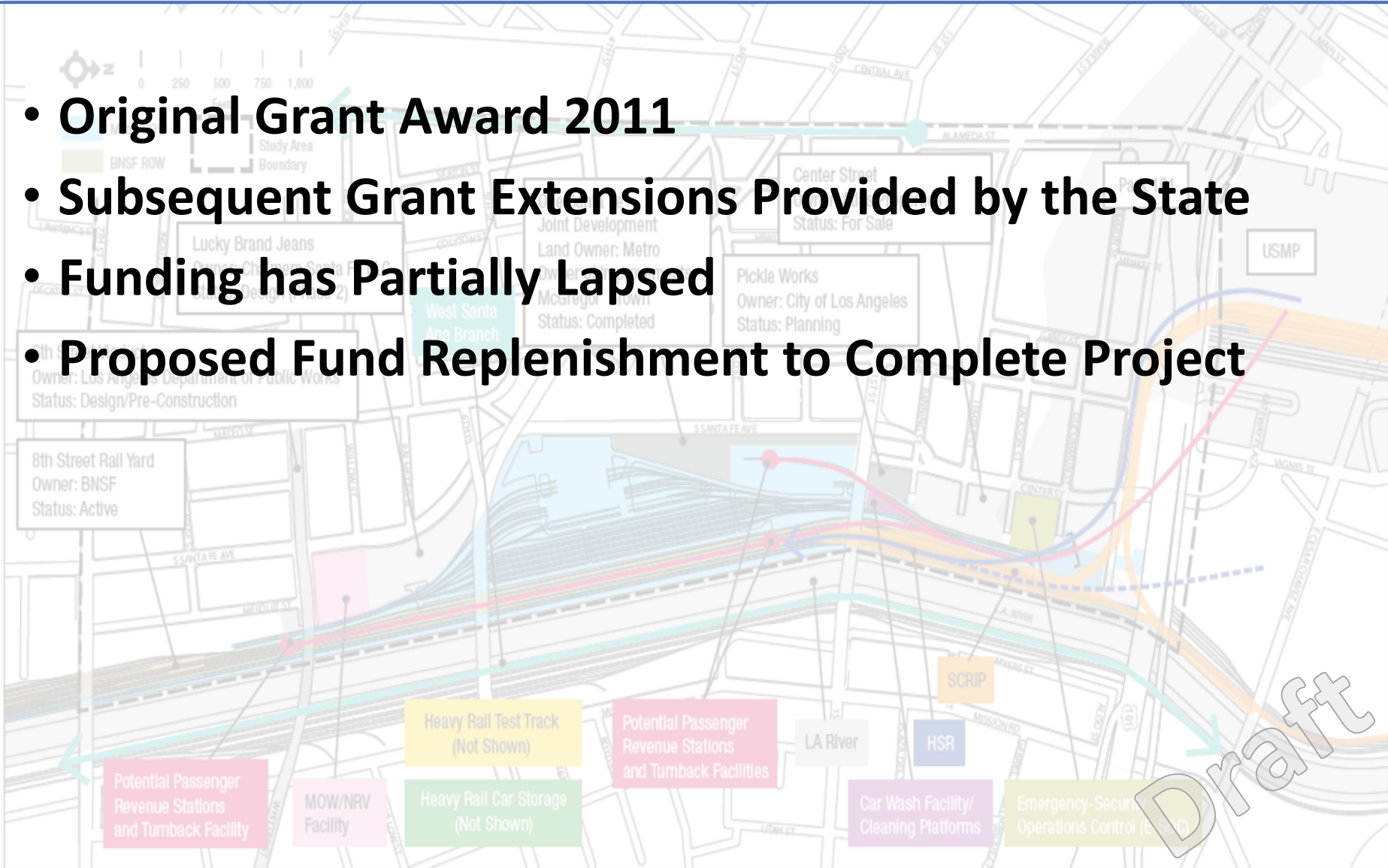


Exhibit 2: All Projects Map

Status of the Project

- Expenditures to Date – \$86.3 million
- Completion Status – Project 70% complete
- Projected Completion 2023



Next Steps

- **Provide Replacement Funding Timely**
- **Special Review Report Back**
- **Complete Project to meet Prop 1B commitments**

